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FISCAL IMPACT STATEMENT

LS 6179 | **NOTE PREPARED:** Jan 13, 2008
BILL NUMBER: HB 1347 | **BILL AMENDED:**

SUBJECT: Excise Tax on Recreational Vehicles and Campers.

FIRST AUTHOR: Rep. Leonard | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** | **IMPACT:** State & Local
X **DEDICATED**
FEDERAL

Summary of Legislation: This bill provides that recreational vehicles and truck campers are subject to an excise tax instead of the property tax on personal property beginning January 1, 2010. It makes an appropriation.

Effective Date: January 1, 2009.

Explanation of State Expenditures: *Summary Net Impact -* Subject to appropriation, the overall net impact projected for the state under this proposal would be increased expenditures of $120,000 for the Bureau of Motor Vehicles (BMV) in FY 2010, and a savings of $605,000 in FY 2010 and $1.2 M in years following for Property Tax Replacement Credits (PTRC).

Property Tax Replacement Credit Savings- The state pays Property Tax Replacement Credits in the amount of 60% of school General Fund levies attributable to all property. The state also pays 20% of the portion of operating levies (including the remaining 40% of the school General Fund levy) that are attributable to real property and nonbusiness personal property. PTRC is paid from the Property Tax Replacement Fund.

Subject to appropriation, and assuming full funding of these payments in CY 2010, if maximum levies are reduced as a result of this proposal (see *Explanation of Local Revenues*), the amount that the state would save from PTRC payments is estimated at about $1.2 M per year beginning in CY 2010.

Bureau of Motor Vehicles Expenses - The BMV would incur additional costs related to the startup and maintenance of the new excise tax program. BMV startup costs are estimated at $120,000 in FY 2010 for software work. Ongoing expenditures for valuation guides, printing, and decals are estimated at about $3,500 per year, including the startup year.

Explanation of State Revenues: *BMV*: Assuming that the BMV administers the collection of the excise tax on these recreational vehicles and campers similar to the collection of auto excise taxes, BMV could receive additional revenue from allowable service charges.

State Fair and State Forestry: The state levies a small tax rate for State Fair and State Forestry. Any reduction in the assessed value base will reduce the property tax revenue for these two funds. The removal of the RV/truck camper AV would cause a revenue reduction of about $9,464 per year beginning in CY 2009.

Explanation of Local Expenditures: This bill requires county auditors and assessing officials to provide the BMV and the DOR with the information from personal property tax returns needed to implement the bill's provisions. Expenditures would be subject to both administrative and legislative actions.

Explanation of Local Revenues: Under current law, RVs and truck campers are assessed as personal property. Taxpayers must list this property on an individual-owned property tax return filed with the township assessor. The assessed value of this property becomes part of the tax base, and the taxpayer pays property tax on the RV or camper based on the prevailing property tax rate where the property is located. This bill would remove RVs and truck campers from property taxation and instead require that the owners of this property pay an excise tax beginning in CY 2010.

Based on taxing district-level assessment summaries and estimated 2010 tax rates, the CY 2010 net property tax on RVs and truck campers is estimated at $8.5 M. The property tax base would be reduced by approximately $394.3 M.

According to BMV records, there were 37,196 RVs registered in Indiana in 2006. That number has decreased approximately 26% from 2004. The number of truck campers is not known. Because the breakdown of RVs and truck campers by number, age, and original price is unknown, *the revenue generated from the excise tax rate structure cannot be estimated.*

In CY 2010, maximum permissible levies would be reduced to account for the removal of AV from the RVs and campers. This provision would ensure that property tax rates remain unchanged and that no tax shifting occurs between RV and camper owners and owners of other property. Taxing units may petition the DLGF for an adjustment to their maximum levies in CY 2011 to neutralize the effects of the AV removal and excise tax revenue received under this bill.

Depending on the actual amount of revenue generated from the excise tax on RVs and campers, total local revenue could be the same, higher, or lower under this bill.

State Agencies Affected: DLGF; Bureau of Motor Vehicles; Department of Insurance.

Local Agencies Affected: County Auditors.

Information Sources: Local Government Database; Dollyne Sherman, BMV, 317-233-0216.

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